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SUBJECT: Ontario Film Industry Reels From High Loonie, Fears Loss of Federal Funding

Sensitive But Unclassified - protect accordingly.

¶1. (SBU) Summary: Despite local incentives and new filmmaking facilities, the strong Canadian dollar and Ottawa's arts funding cuts threaten to further cripple an already weak Ontario film industry. End Summary.

¶2. (U) Toronto's strong film and television industry has suffered as the Canadian dollar has risen against the U.S. dollar. The Toronto films and television industry peaked in 2000, with C\$1.3 billion in on-location shooting. It fell to C\$704 million in 2006, rebounding slightly to C\$755.8 million in 2007. New U.S. incentives, such as a 35% tax credit in New York on filmmakers' expenditures, make shooting in Canada relatively less attractive to producers than before. In addition, a months-long strike in 2007 by the Alliance of Canadian Cinema, Television and Radio Artists also furthered industry woes. The resulting dearth of productions has taken its toll on Ontario's film and television industry. In 2007, Toronto's Cinespace Studios was forced to close, reducing the city's production space by 20 percent.

¶3. (U) In addition to relying heavily upon American productions, Ontario's film and television studios depend on a steady stream of smaller Canadian productions to remain profitable. Canadian content laws and federal arts subsidies have helped to keep these Canadian productions coming. However, local media analysts fear that federal funding cuts will dry up these Canadian productions. The Harper government announced in early August that it would cancel Heritage Canada's C\$9 million Trade Routes export support fund as well as the Department of Foreign Affairs and International Trade's PromArt program, a C\$4.7 million artist travel support fund. In addition, Bill C-10, introduced in Ottawa in February, would allow Canada's Heritage Minister to deny tax credits to productions he deems contrary to public policy. Local arts personalities have decried these moves, fearing they will cripple Toronto's film industry and defund its annual HotDocs international documentary festival and the Toronto International Film Festival.

¶4. (U) The governments of Ontario and Toronto have moved to attract more productions. The Ontario Media Development Corporation (OMDC) offers a tax credit to Canadian or foreign-controlled production companies equal to 25 percent of their Ontario labor expenditures. In addition, Ontario gives local Canadian-controlled corporations tax credits worth 35 to 45 percent of their Ontario labor expenditures. The Toronto Film Board has begun offering U.S.-based productions incentives such as free location permits, a reduced rate on city services and free use of all City of Toronto-owned facilities and properties. Finally, on June 17, OMDC announced a C\$2 million initiative that would award early-stage film, television and other Ontario-based media companies up to C\$100,000 each.

¶5. (SBU) Investors in a new film production complex hope to lure American producers back north. On September 8, econoff and PAO toured Filmport, a C\$80 million, 47 acre film studio on Lake Ontario. When completed, Filmport's seven sound stages will cover 120,000 square feet and include a 46,000 square foot sound stage, the largest soundproof sound stage in North America. Filmport is largely funded by private companies and individuals, who invested their own money and also borrowed C\$24 million from GE Capital.

Filmport is on the site of a remediated industrial site acquired by the Toronto Economic Development Corporation for a token amount. The first phase of the complex opened on June 5, and its grand opening was on August 20. As of July 8, the complex had lost C\$3 million. According to executives at Filmport, it can host up to four major productions at any given time, as well as a number of television series. Only one feature film is currently scheduled to shoot at Filmport.

¶6. (SBU) Comment: Provincial and municipal incentives and increasingly desperate local studios may make filmmaking in Ontario slightly more attractive to American producers in the short term. However, despite the optimism of Filmport's investors, Ontario's film industry will suffer as long as the Canadian dollar hovers near parity. End Comment.

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